



The Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the State.

Management's Discussion and Analysis

The following is a discussion and analysis of the State of Missouri's (State's) financial activities for the fiscal year ended June 30, 2009. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-Wide:

- *Net Assets.* Assets of the State of Missouri exceeded liabilities at the close of fiscal year 2009 by \$28.5 billion. Of the \$28.5 billion, "unrestricted net assets" is reported as a negative \$3.3 billion, offset by \$5.8 billion in "restricted net assets". A positive balance in unrestricted net assets would represent the amount available to be used to meet a government's ongoing operations.
- *Changes in Net Assets.* The State's total net assets decreased by \$903.1 million in fiscal year 2009. Net assets for governmental activities decreased by \$539.1 million.
- *Excess of Revenues over (under) Expenses.* During fiscal year 2009, the State's total revenues of \$23.6 billion were \$903.1 million less than total expenses (excluding transfers) of \$24.5 billion. Of these expenses, \$13.8 billion were covered by program revenues. General revenues, generated primarily from various taxes, totaled \$9.8 billion.

Fund-Level:

- *Governmental Funds – Fund Balance.* At the close of fiscal year 2009, the State's governmental fund assets exceeded liabilities by \$4.2 billion, a decrease of \$1.0 billion or 19.9% from the prior year. The decrease was primarily due to a decline in cash and cash equivalents and investments of \$1.1 billion, because revenues have not been able to keep pace with the increased demand for services.
- *General Fund – Fund Balance.* At the end of the current fiscal year, the State's general fund reported a balance of \$1.3 billion.

Additional information regarding individual funds begins on Page 9.

Debt Issued and Outstanding:

- The primary government's total long-term obligations related to bonds payable decreased \$48.1 million or 1.3% over the prior year. The outstanding bonds payable represents 52.7% of financial assets (cash, receivables, and investments) and 10.1% of total assets. The net decrease in bonds payable resulted from decreases of \$189,775,000 due to bond payments and \$1,035,000 due to defeasance, as well as increases of \$142,735,000 due to issuances of State Road Bonds. Additional detail is available in *Note 12*.

Revenue Limit:

- The State Constitution limits the State's ability to retain revenue collected over an amount set by a constitutional amendment known as Article X. Excess revenue of 1% or more must be refunded to the taxpayers each year. During fiscal year 2009, the State did not exceed the revenue limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The State's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the State's finances in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets may serve as a useful indicator of the State's financial position.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of when the cash is received. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report three activities:

Governmental Activities are primarily supported by taxes and intergovernmental revenues. They include general government, education, natural and economic resources, transportation and law enforcement, and human services.

Business-Type Activities are intended to recover all or a significant portion of their costs through user fees and charges. They include constructing or operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising, publishing maps and documents and insurance coverage. Also included are the operations of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds.

Discretely Presented Component Units are operations for which the State has financial accountability, but are legally separate. They include the college and universities, Missouri Development Finance Board, Missouri Agricultural and Small Business Development Authority, and Missouri Transportation Finance Corporation.

Fund Financial Statements:

The fund financial statements present more detailed information about the government's operations than the government-wide statements. The State uses fund accounting to ensure and demonstrate compliance with statutory requirements. The funds of the State can be divided into three categories: governmental, proprietary, and fiduciary.

Governmental funds. Governmental funds are used to account for most of the basic services provided by the State. Unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of current financial resources and utilize the modified accrual basis of accounting. This presentation focuses on when cash will be received and disbursed making the statements useful in evaluating a government's financing requirements in the near future.

Governmental funds include the general, special revenue, capital projects, debt service, and permanent funds. Major funds include general, public education, conservation and environmental protection, transportation and law enforcement, and the Missouri road fund which are presented in separate columns. Data from other governmental funds are combined into a single column for aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in supplementary information.

A user can compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements, a reconciliation to facilitate this comparison is provided on the page immediately following each governmental fund financial statement.

Proprietary funds. Proprietary funds are used to account for activities similar to private businesses in which goods and services are sold for specified fees. Generally, the State uses enterprise funds to account for activities that provide goods and services to the general public. These include constructing or operating state park facilities, fairgrounds, historical properties and office buildings, hospital services, warehousing, merchandising and publishing maps and documents. Also included are the operations of the State Lottery, Unemployment Compensation, and the Petroleum Storage Tank Insurance funds. Internal service funds report activities that provide supplies and services for the State's other programs and activities. The State uses internal service funds to account for insurance and health care plans, as well as administrative services for other state agencies, such as fleet management, data processing, and telecommunication services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds focus on economic resources and utilize the full accrual basis of accounting. The proprietary fund financial statements provide separate information for the State Lottery, Unemployment Compensation, and Petroleum Storage Tank Insurance, which are considered major enterprise funds. Non-major enterprise funds are also combined into a single column for aggregated presentation. All internal service funds are combined into a single column in the proprietary fund financial statements. Individual fund data for the non-major enterprise and internal service funds is provided in the form of combining statements in supplementary information.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside State government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The fiduciary funds are presented using the full accrual basis of accounting.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information (RSI) including a budgetary comparison schedule for the general fund and major special revenue funds. Other supplementary information includes the combining statements for the general, non-major governmental, non-major enterprise, internal service, fiduciary, and non-major component unit funds. It also includes the statistical section as well as budgetary comparison schedules for the Missouri road fund, non-major special revenue, debt service, and permanent funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets:

The State's total net assets decreased \$903.1 million or 3.1% during fiscal year 2009. This decrease resulted primarily from a decline in current and other assets of \$1.1 billion. Net assets invested in capital assets net of related debt and restricted net assets, which do not represent resources available to pay day-to-day operating expenses, increased by \$374.5 million or 1.2%.

Invested in capital assets net of related debt, such as bonds payable or capital lease obligations, is the largest component of the State's net assets at \$26.0 billion or 91.2%. These assets include land, infrastructure, buildings, and equipment which are not easily converted to cash or readily available to pay state debts as they come due.

Restricted net assets of the primary government totaled \$5.8 billion or 20.3% of total net assets vs. 20.6% from the prior year. Net assets are restricted for several reasons including constitutional, legal, enabling legislation or external requirements. Examples of restricted net assets include lottery proceeds restricted for public education, funds restricted for debt service and certain sales taxes restricted for the maintenance of highways or state parks and conservation areas. Also, many federal funds are restricted to funding certain programs.

The following table displays the current and prior year government-wide condensed Statement of Net Assets.

STATEMENT OF NET ASSETS						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2009	2008*	2009	2008*	2009	2008*
ASSETS:						
Current and Other Assets	\$ 6,751,470	\$ 7,615,555	\$ 425,465	\$ 615,981	\$ 7,176,935	\$ 8,231,536
Capital Assets, Net	<u>29,544,831</u>	<u>28,940,732</u>	<u>46,756</u>	<u>42,360</u>	<u>29,591,587</u>	<u>28,983,092</u>
<i>Total Assets</i>	36,296,301	36,556,287	472,221	658,341	36,768,522	37,214,628
LIABILITIES:						
Long-Term Liabilities	6,233,762	6,087,631	219,300	223,785	6,453,062	6,311,416
Other Liabilities	<u>1,601,719</u>	<u>1,468,753</u>	<u>200,000</u>	<u>17,569</u>	<u>1,801,719</u>	<u>1,486,322</u>
<i>Total Liabilities</i>	7,835,481	7,556,384	419,300	241,354	8,254,781	7,797,738
NET ASSETS:						
Invested in Capital Assets,						
Net of Related Debt	25,950,941	25,324,173	46,546	42,360	25,997,487	25,366,533
Restricted	5,785,396	6,003,212	6,771	45,362	5,792,167	6,048,574
Unrestricted	<u>(3,275,517)</u>	<u>(2,327,482)</u>	<u>(396)</u>	<u>329,265</u>	<u>(3,275,913)</u>	<u>(1,998,217)</u>
<i>Total Net Assets</i>	<u>\$ 28,460,820</u>	<u>\$ 28,999,903</u>	<u>\$ 52,921</u>	<u>\$ 416,987</u>	<u>\$ 28,513,741</u>	<u>\$ 29,416,890</u>
*Fiscal year 2008 amounts have been restated.						

Changes in Net Assets:

The schedule below reflects how the State's net assets changed during the year. The State collected program revenues of \$13.8 billion and general revenues of \$9.8 billion for total revenues of \$23.6 billion during fiscal year 2009. Expenses for the State during fiscal year 2009 were \$24.5 billion. As a result of the deficient revenues to cover expenses, the total net assets of the State decreased \$903.1 million, net of contributions and transfers.

The following table displays the current and prior year government-wide condensed Statement of Activities.

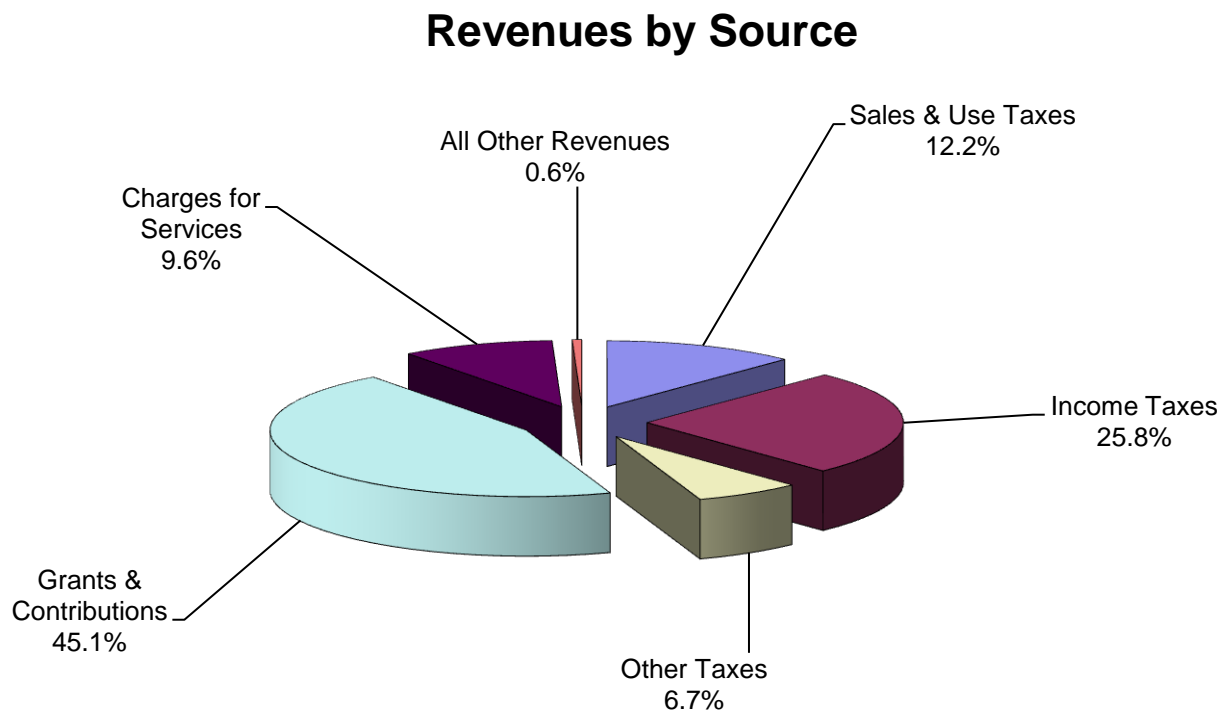
STATEMENT OF ACTIVITIES						
(In Thousands of Dollars)						
	Governmental Activities		Business-Type Activities		Total	
	2009	2008*	2009	2008*	2009	2008*
REVENUES:						
Program Revenues:						
Charges for Services	\$ 2,066,977	\$ 1,816,496	\$ 1,041,963	\$ 1,106,483	\$ 3,108,940	\$ 2,922,979
Operating Grants and Contributions	8,755,551	7,697,736	967,324	657,534	9,722,875	8,355,270
Capital Grants and Contributions	961,425	971,801	---	---	961,425	971,801
General Revenues:						
Sales and Use Taxes	2,635,114	2,871,465	---	---	2,635,114	2,871,465
Income Taxes	5,547,639	5,911,643	---	---	5,547,639	5,911,643
Unemployment and Other Taxes	1,450,748	1,472,829	---	---	1,450,748	1,472,829
Other Revenues	133,846	333,179	10,153	15,424	143,999	348,603
Total Revenues	21,551,300	21,075,149	2,019,440	1,779,441	23,570,740	22,854,590
EXPENSES:						
General Government	1,202,908	1,210,044	---	---	1,202,908	1,210,044
Education	6,589,079	6,379,189	---	---	6,589,079	6,379,189
Natural and Economic Resources	1,021,208	1,006,560	---	---	1,021,208	1,006,560
Transportation and Law Enforcement	2,373,747	2,258,653	---	---	2,373,747	2,258,653
Human Services	10,942,605	9,876,132	---	---	10,942,605	9,876,132
State Lottery	---	---	726,086	740,189	726,086	740,189
Unemployment Compensation	---	---	1,292,531	498,318	1,292,531	498,318
Petroleum Storage Tank	---	---	17,185	21,516	17,185	21,516
Veterans' Homes	---	---	62,236	57,067	62,236	57,067
All Other Expenses	218,277	174,011	28,027	16,857	246,304	190,868
Total Expenses	22,347,824	20,904,589	2,126,065	1,333,947	24,473,889	22,238,536
Increase (Decrease) in Net Assets before Contributions & Transfers	(796,524)	170,560	(106,625)	445,494	(903,149)	616,054
Transfers	257,441	264,416	(257,441)	(264,416)	---	---
Change in Net Assets	(539,083)	434,976	(364,066)	181,078	(903,149)	616,054
Net Assets - July 1	28,999,903	28,564,927	416,987	235,909	29,416,890	28,800,836
Net Assets - June 30	\$ 28,460,820	\$ 28,999,903	\$ 52,921	\$ 416,987	\$ 28,513,741	\$ 29,416,890
*Fiscal year 2008 amounts have been restated.						

Governmental Activities

The net assets of governmental activities decreased \$539.1 million in fiscal year 2009. Revenues for the governmental activities totaled \$21.6 billion, while expenses totaled \$22.3 billion in 2009.

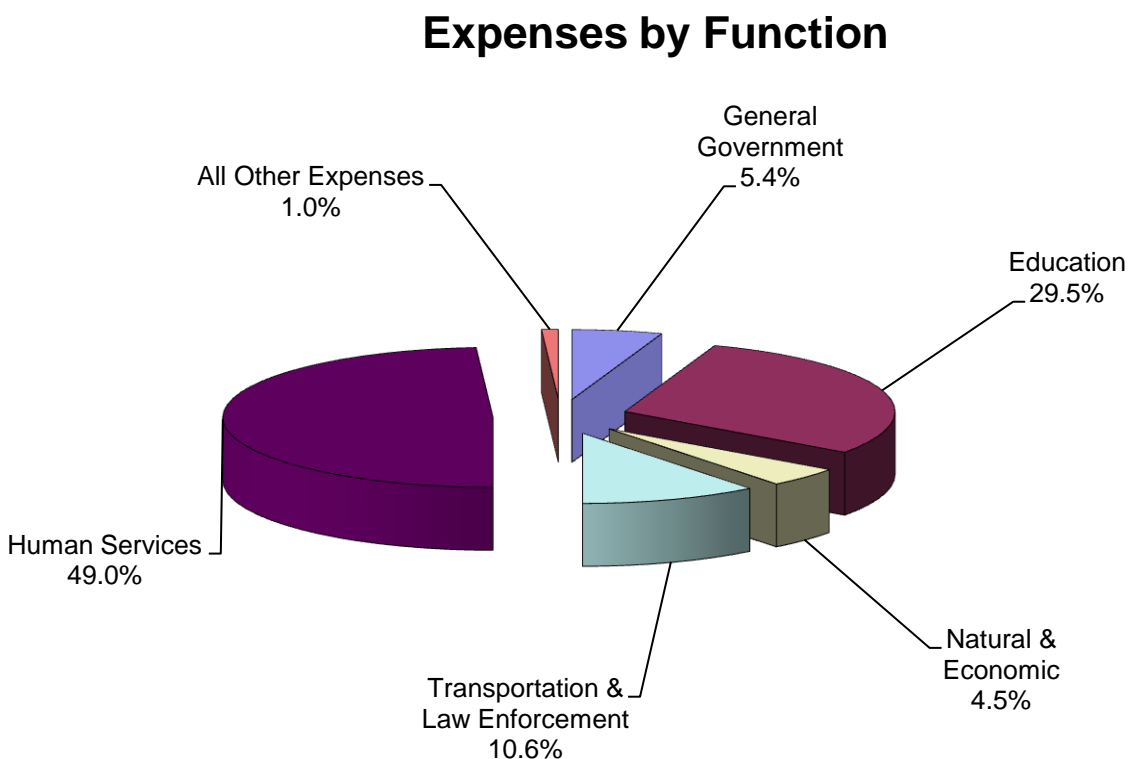
General and program revenues of governmental activities increased \$476.2 million during the fiscal year. The increase in revenue was due primarily to an increase of \$1.0 billion in grants and contributions, which is partially due to funding received as part of the American Recovery and Reinvestment Act of 2009.

As shown in the Revenues by Source chart below, approximately 44.7% of revenues from all sources earned came from taxes. Grants and contributions, which represents amounts received from other governments/entities, primarily the federal government, provided 45.1% of total revenue. Charges for services contributed 9.6% and various other revenues provided 0.6% of the remaining governmental activity revenue sources.



The State's governmental activities program expenses increased \$1.4 billion during fiscal year 2009. General Government expenditures decreased \$7.1 million while Education, Natural and Economic Resources, Transportation and Law Enforcement, Human Services, and Other Expenses increased \$1.5 billion.

As shown in the Expenses by Function chart below, expense for Human Services makes up the largest portion – 49.0% – of total governmental expenses.

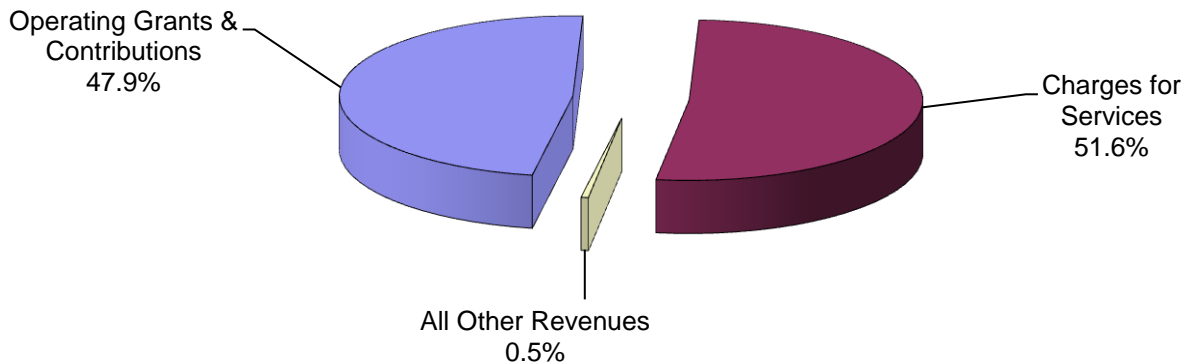


Business-Type Activities

Net assets of the State's business-type activities decreased \$364.1 million in fiscal year 2009. Business-type revenues increased by \$240.0 million during the current fiscal year. Program expenses of business-type activities increased \$792.1 million from fiscal year 2008 to 2009.

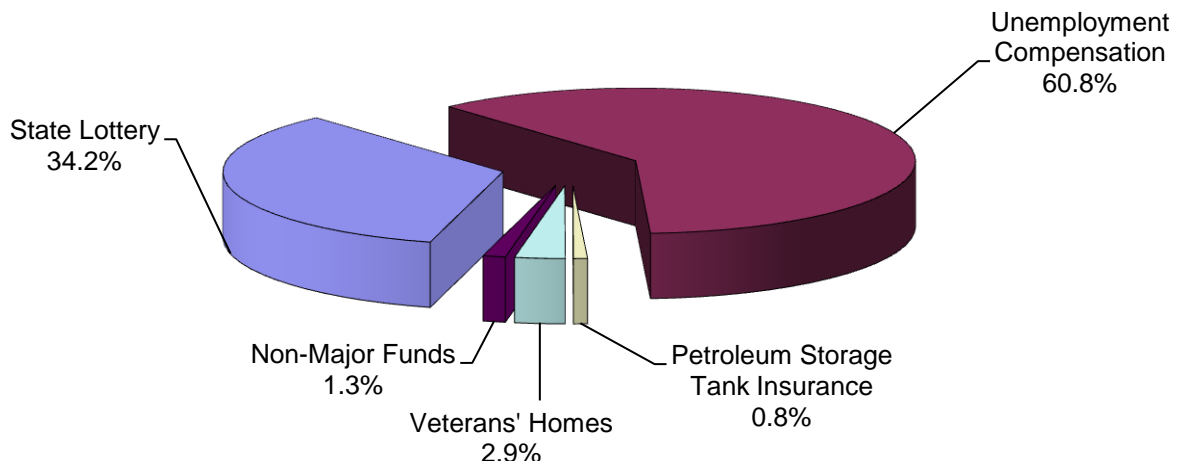
Revenues of business-type activities totaled \$2.0 billion. As shown in the Revenues by Source chart below, 51.6% of the revenues came from charges for services. Operating grants and contributions provided 47.9% of the total revenue and all other revenues provided 0.5%.

Revenues by Source



Expenses of business-type activities totaled \$2.1 billion. As shown in the Expenses by Fund chart below, the Unemployment Compensation makes up the largest portion with 60.8% of total business-type expenses. State Lottery comes in second at 34.2%, followed by veterans' homes at 2.9%, non-major funds at 1.3%, and petroleum storage tank at 0.8%.

Expenses by Fund



FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

Governmental Funds:

At the end of fiscal year 2009, the State's governmental funds reported combined ending fund balances of \$4.2 billion. Approximately 57.1% is unreserved and available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for budget reserve, 2) to pay debt service, 3) for loans receivable, and 4) for a variety of other purposes.

Fund balances (in thousands) for governmental funds are as follows:

	General Fund	Public Education	Conservation and Environmental Protection	Transportation and Law Enforcement	Missouri Road Fund	Non- Major	Total
Unreserved	\$ 668,936	\$ 343,140	\$ 343,223	\$ 220,397	\$ 488,238	\$ 335,088	\$ 2,399,022
Reserved	589,305	41	897,646	5,894	156,102	156,315	1,805,303
Total	\$ 1,258,241	\$ 343,181	\$ 1,240,869	\$ 226,291	\$ 644,340	\$ 491,403	\$ 4,204,325

The general fund is the chief operating fund of the State. At the end of fiscal year 2009, the State's general fund reported a total fund balance of \$1.3 billion. The net decrease in fund balance during fiscal year 2009 was \$636.5 million. Expenditures of the general fund totaled \$14.2 billion in fiscal year 2009, an increase of \$1.2 billion from fiscal year 2008. The major contributing factor to this was an increase in expenditures for human services of \$1.0 billion from fiscal year 2008 to fiscal year 2009. The most significant increase was medical assistance payments which increased \$469.9 million.

The public education fund provides general and special education services to the children of the State and other related functions such as library services and student loans. Total fund balance decreased by \$47.5 million. Revenues of the public education funds totaled \$1.3 billion in fiscal year 2009, a decrease of \$265.7 million from fiscal year 2008. The major factor that contributed to this was a decrease of \$235.3 million in the contributions and intergovernmental revenues. During fiscal year 2008, the public education fund received \$230.0 million in contributions and intergovernmental revenues from the sale of the Missouri Higher Education Loan Authority's assets. The authority is required to pay a total of \$350.0 million to the State through September 30, 2013 with the largest payment occurring in fiscal year 2008.

The conservation and environmental protection fund provides for the preservation of the State's wildlife and environment. The fund balance increased by \$34.7 million while tax revenues declined by \$11.1 million and penalties and unclaimed property declined by \$12.6 million during the fiscal year. Expenditures remained relatively constant and combined with a decrease in revenues caused fund balance to increase at a smaller rate than in previous fiscal years.

The transportation and law enforcement fund provides transportation services, road construction and maintenance, and the enforcement of vehicle laws and traffic safety. The fund balance increased by \$18.5 million in fiscal year 2009. The major contributing factor was a decrease in transfers out of \$42.1 million.

The Missouri road fund accounts for revenues from highway users' fees, federal reimbursements for highway projects, and bond proceeds to be used for costs of constructing and maintaining an adequate state highway system. The fund balance decreased by \$360.3 million in fiscal year 2009. Expenditures of the Missouri road fund increased during fiscal year 2009 by \$219.5 million primarily due to an increase of \$162.7 million in capital outlays and an increase of \$24.0 million in debt service. A decrease in transfers in of \$42.1 million and a decrease in taxes of \$22.0 million were also major contributing factors to the decrease in fund balance.

Proprietary Funds:

The State has three major proprietary funds: State Lottery, Unemployment Compensation and the Petroleum Storage Tank Insurance Fund. The State Lottery Fund was established in 1986 to account for the sale of lottery tickets and lottery operations. Since 1992, public education has been the sole beneficiary of lottery proceeds. Unemployment Compensation accounts for contributions and payments collected from Missouri employers under the provision of the "Unemployment Compensation Law." This tax finances benefits for workers who become unemployed through no fault of their own. The Petroleum Storage Tank Insurance Fund accounts for moneys collected from transport load fees and participating owners of petroleum storage tanks. The fund pays cleanup expenses for petroleum leaks or spills from underground storage tanks and certain above ground storage tanks as well as third party property damage or bodily injury resulting from such discharges. This fund is one of the largest insurers of storage tanks in the country.

The State Lottery Fund's net assets decreased by \$1.8 million. Operating revenues decreased by \$27.1 million during the fiscal year which was partially offset by a decrease in expenses for prizes paid. The decrease in operating revenues was mainly due to a decline in ticket sales from the record sales level for fiscal year 2008. Contributing factors in the decline in sales included: economic conditions, smaller number of large jackpots in online games, and limited resources for advertising and promoting. The decline in ticket sales contributed to the decline in prizes paid.

The Unemployment Compensation Fund's net assets decreased by \$360.5 million due to the increased number of unemployment claims resulting from the current national economic condition. Missouri borrowed \$185.9 million from the federal government during fiscal year 2009 to continue to pay unemployment benefits.

The Petroleum Storage Tank Insurance Fund's net assets increased by \$0.2 million. Operating expenses decreased by \$4.5 million primarily due to decreased program expenses. However, operating revenues also decreased by \$9.4 million, but total revenues continued to outpace expenses during the fiscal year. Operating revenues decreased due to a reduction in the load fees charged to customers. Load fees were reduced from \$40 to \$20 per 8,000 gallons.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget is the appropriated budget that is truly agreed to and finally passed by the legislature, and signed by the Governor at the beginning of the fiscal year. The final budget includes emergency and supplemental appropriations, reverted and increases to estimated appropriations, which occur during the fiscal year.

Budgeted appropriations for fiscal year 2009 from the general fund were \$19.4 billion original budget and \$20.3 billion final budget. Actual spending was \$19.1 billion. Reasons for the final budget variances include:

- Appropriation authority exceeded cash available for expenditures.
- Lapse of various appropriations.
- Multiple year grants are appropriated in one year but the expenditures may occur over several years.

Budgeted revenues/transfers in for fiscal year 2009, for the general fund, was \$19.3 billion original budget and \$18.9 billion final budget. Actual revenue/transfers in was \$18.6 billion. The reduction of budgeted revenues/transfers occurred due to the swift onset of the national recession. Revenues/transfers still did not meet the final projection for the fiscal year.

Refer to the *Notes to RSI*, Budgetary Reporting, on page 101 for more information on budgetary variances.

GOVERNMENT-WIDE CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2009 was \$29.6 billion (net of accumulated depreciation). This investment in capital assets includes construction in progress, infrastructure in progress, land, land improvements, buildings and improvements, equipment, software, and infrastructure.

Capital Assets of the State include (in thousands):

	Governmental Activities	Business-Type Activities	Total
Construction in Progress	\$ 532,385	\$ 5,290	\$ 537,675
Infrastructure in Progress	2,461,041	---	2,461,041
Land	2,827,765	8,868	2,836,633
Land Improvements	158,102	7,446	165,548
Buildings and Improvements	2,791,296	28,386	2,819,682
Equipment	1,173,981	44,093	1,218,074
Software	14,826	1,653	16,479
Infrastructure	42,600,584	---	42,600,584
<i>Subtotal</i>	52,559,980	95,736	52,655,716
Less Accumulated Depreciation	(23,015,149)	(48,980)	(23,064,129)
Total Capital Assets, Net	\$ 29,544,831	\$ 46,756	\$ 29,591,587

Additional information on capital assets can be found in *Note 5* of this report.

Debt Administration:

At the end of fiscal year 2009, the primary government had total general obligation and other bonded debt outstanding of \$3.7 billion. Of this amount, \$600.1 million comprises debt backed by the full faith and credit of the government.

Principal amounts retired in fiscal year 2009 were \$66,090,000 for general obligation bonds and \$124,720,000 for other bonds.

The State of Missouri is proud to be one of only seven states to maintain a Triple-A credit rating from all three major credit rating agencies (Moody's Investor Services, Inc., Standard and Poor's, and Fitch Ratings, Inc.) on the State's General Obligation Bonds.

Outstanding Bonds Payable of the State include (in thousands):

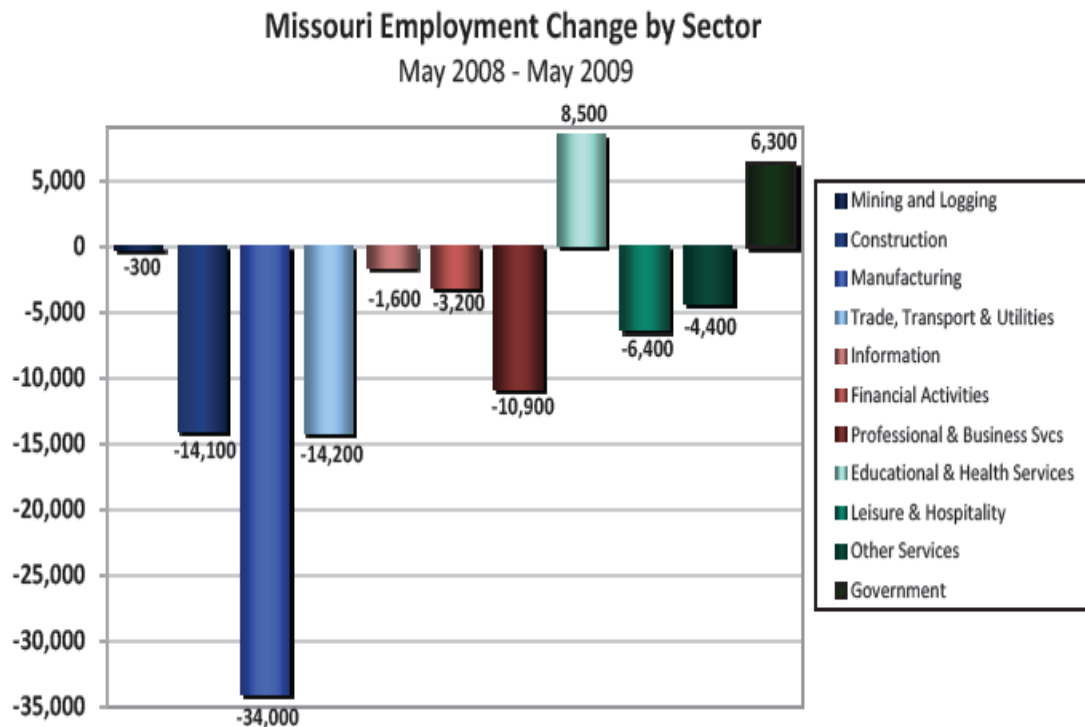
	Governmental Activities	Component Units	Total
General Obligation Bonds	\$ 600,075	\$ ---	\$ 600,075
Other Bonds	3,102,685	1,394,634	4,497,319
Total	\$ 3,702,760	\$ 1,394,634	\$ 5,097,394

Additional information on long-term debt can be found in *Notes 11, 12, and 13* of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The State of Missouri completed fiscal year 2009 with a balanced budget. Net general revenue collections decreased 6.9% from fiscal year 2008 ending with an amount of \$7.5 billion. The fiscal year 2010 budget, as appropriated in May 2009, would require growth of 4.2% from fiscal year 2009 in general revenue collections to support spending. Since revenues have continued to deteriorate, expenditure reductions have occurred to balance the budget including \$385 million in July 2009 and an additional \$204 million in October 2009. The budget cuts and revised negative 4% net general revenue collections will result in a balanced 2010 budget.

As a major manufacturing, financial, and agricultural state, Missouri's economic health is tied closely to that of the nation. The national economy has been in a recession since December 2007; it is not expected to return to growth near average until 2010. Missouri's unemployment rate increased 3.8% in fiscal year 2009. The June 2009 unemployment rate was 9.5% compared to the June 2008 unemployment rate of 5.7%. The national unemployment rate was 9.7% in June 2009. The graph below shows the growth and decline in employment by employment sector.



Source: 2009 Missouri Economic Report

Employment change by industry identifies the types of jobs being created and lost in the state. Comparing May 2009 to May 2008, several sectors have had employment declines in Missouri. Manufacturing employment declined by 34,000 while trade, transport, and utilities declined by 14,200 over the period. The education and health service industry had the largest growth over the year with employment increasing by 8,500; the health care and social assistance subsector makes up more than 80% of the industry. The government sector has also increased in employment over the year.

In an environment of shrinking income and spending, and given that growth in Missouri revenue generally lags national economic conditions by six to eighteen months, the growth of general revenue collections for fiscal years beyond 2010 remains guarded. Compounding the matter are the state's tax reductions enacted in recent legislative sessions and changes at the federal level which will have mixed impacts on collections due to complicated tax and spending provisions. Without a substantial rebound in equities markets and a swift employment turnaround, further declines in general revenue are anticipated. This will result in several funding challenges in mandatory programs such as education, health care, and transportation. Conservative fiscal management will assist in meeting these challenges. For example, Missouri has set aside a substantial portion of the American Recovery and Reinvestment Act of 2009 for budget stabilization for future fiscal years.

Missouri will face a significant drop in funding for transportation in 2010 when proceeds from Amendment 3 will end. During fiscal year 2009, Missouri Department of Transportation (MoDOT) awarded 461 projects, the total of which was 9% under budget. That was a savings of more than \$135 million. MoDOT has managed costs by: rebidding projects if they come in too high; closing roads during construction if it saved time and money; designing projects to fit specific needs; and asking contractors to use alternate materials, propose innovative design and construction methods, and work off-hours. MoDOT's Safe and Sound Bridge Improvement Program is well under way, which will repair or replace 802 of Missouri's worst bridges by October 31, 2014. MoDOT is also taking an aggressive approach to selling excess property it owns in an effort to invest more money into road and bridge projects.

Despite funding challenges, the State is working to stimulate the economy, increase efficiency, and decrease costs. In fiscal year 2009, Missouri passed House Bill 191 which enhances Missouri's economic development programs to help businesses create jobs and train the State's workforce for the industries of tomorrow. Senate Bill 376, the Energy Efficient Investment Act, was also passed setting goals for Missouri's investor-owned electric utilities to achieve all cost-effective savings possible from energy efficiency programs. Finally, the process of contracting highway projects should be quicker and more efficient due to the passing of House Bill 359 which grants Missouri Highways and Transportation Commission expanded authority to enter into design-build construction contracts.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Administration, Division of Accounting, P.O. Box 809, Jefferson City, MO 65102.